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C O N F I D E N T I A L SECTION 01 OF 02 TEL AVIV 002225

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SUBJECT: PERETZ SAYS HE WILL TAKE RISKS TO HELP THE
PALESTINIANS

Classified By: Ambassador Richard H. Jones for reasons 1.4 (b,d).

1. (C) Summary: Defense Minister Amir Peretz told A/S Welch June 7 that he is willing to take maximum possible risks allowable in light of security demands to ease the pressure on the Palestinian people. He noted his efforts to keep the Karni crossing open -- as it is currently -- in both directions, unless security threats dictate otherwise. He stressed that he is in that part of the coalition that supports exhausting efforts to negotiate with a Palestinian partner before resorting to unilateral measures, but added that unilateral measures could serve to spur positive Palestinian actions as well. He underlined the need to strengthen Palestinian Authority President Mahmud Abbas. A/S Welch highlighted the need to prevent a humanitarian crisis in the PA to ensure continued EU and other international solidarity in isolating Hamas and maintaining international focus on Hamas accepting the Quartet's three conditions. A/S Welch stressed the Secretary's strong interest that the GOI allow the crossings to function in as liberal a manner as possible in light of security conditions -- especially with regard to exports. He stressed the U.S. interest that the GOI explore ways to respect the dignity of the Palestinian people. He and the Ambassador raised concrete examples of Israeli security restrictions that humiliate and negatively impact the lives of Palestinians. DefMin Peretz and A/S Welch also discussed the threats presented by Iran and Hizballah and the need for continued U.S.-Israel cooperation on these matters. End Summary.

2. (C) A/S Welch was accompanied by Ambassador Jones, U.S. Security Coordinator LTG Dayton, DAO CDR Williamson, NSC LoGerfo, and Embassy notetaker Bernstein-Zabza. Peretz was accompanied by MOD advisor Amos Gilad, Military Secretary to DefMin BG Eitan Dangott, MOD advisor Schmuell Limone (interpreter), MFA Deputy Director General North America Division Yoram Ben Ze'ev, MFA No. America Division Iris Sapir, MOD advisor Hagga Alon, and Peretz's personal advisor Oriella Ben-Zvi. Peretz spoke Hebrew throughout the meeting, though in a one-on-one meeting he spoke comfortably in English with no interpretation.

Toward a Partner

3. (C) Peretz began the June 7 meeting with A/S Welch by noting that he had come straight from his hometown of Sderot, where he continues to reside and drew attention to the continuing rocket attacks there from Gaza. Turning to Israeli-Palestinian relations, Peretz underlined that he belongs to that part of the coalition -- the Labor Party -- that insists on exhausting efforts to identify a Palestinian negotiating partner before resorting to unilateral measures. He noted, however, that the entire coalition, including Labor, had agreed to PM Olmert's outline for government action. He added that unilateral steps could act as a catalyst to spur the Palestinians to "abide by their commitments" and cooperate with Israel. Peretz said that PA President Abbas should be strengthened and that he does not want to judge Abbas's strength by Abbas's past actions, but rather by what he does in the future. Peretz stressed that his focus is on fighting terrorism while not harming the Palestinian people.

Peretz Willing to Take Risks

4. (C) A/S Welch highlighted PM Olmert's successful visit to Washington and the importance of the continued cooperation between the U.S. and Israel on regional security matters, including with USSC LTG Dayton. He noted the importance of Peretz's role in the GOI's sustained efforts to test whether an effective Palestinian partner exists. A/S Welch stressed that EU and international support in isolating Hamas can be sustained by ensuring that Hamas cannot blame Israel or the U.S. for a humanitarian crisis in the West Bank and Gaza. The focus must be on Hamas, he stressed, and on its choice of whether or not to adhere to the three Quartet conditions. A/S Welch noted that the U.S. and the EU are close to agreeing on a funding mechanism for assisting the Palestinian people -- not the PA -- and expressed the hope that the mechanism could be widely used, including by Israel and Arab

countries. He said that the GOI also has within its control the ability to ease the plight of the Palestinian people without compromising its security. He added that he hopes that the GOI will also consider the USG's advice in this regard.

15. (C) The Secretary, Welch underlined, is very interested in continued efforts to implement the Agreement on Movement and Access, and in ensuring that the GOI allow the crossings to operate in as liberal a manner as possible, especially with regard to exports. He noted that the two main complaints that the USG hears from the EU are about the GOI's freeze on PA tax revenues and about crossing controls that are ruining the PA economy. A/S Welch also stressed the need for the GOI to consider ways to afford the Palestinian people dignity and respect. As an example of a problem in this regard, A/S Welch noted that he had to ensure that Abbas's advisor Yasir Abed Rabbo ride in USG vehicles in order to reach Jerusalem for a dinner with Welch June 6 because of the permit problems that Abed Rabbo, as a West Bank resident, had encountered. (Note: Peretz appeared a little rattled about the report of this incident by Welch. He turned to Dangot and exchanged a few words in Hebrew. End note.) The Ambassador raised his concern that the average Palestinian also be treated with greater respect by Israel. He said it has come to his attention that Palestinian students from the West Bank and Gaza are no longer allowed to study at Israeli educational institutions. He emphasized that by barring Palestinian students, Israel could be squandering the opportunity to cultivate natural allies among Palestinian youth.

16. (C) LTG Dayton stressed his appreciation for the close cooperation he has experienced with the GOI. He said that significant movement has taken place on the Palestinian side with regard to the border crossings. He said that he will soon be approaching the GOI with some new ideas regarding the management of the crossings that will likely entail more risk for the GOI. Peretz expressed appreciation for the productive meeting on May 21 that he had with LTG Dayton.

17. (C) Peretz underlined the actions he has been taking to ease the situation of the Palestinians, which include allowing more Palestinian laborers to enter and work in Israel and opening the Karni crossing in both directions. Peretz agreed on the importance of addressing the "human element" of the Palestinian situation, including nurturing cooperation between the Israeli and Palestinian peoples. He said he would examine the issues and problems raised during the meeting "in a deep manner" and try to make changes. He stressed that by alleviating pressure on the Palestinian people, he is undermining the terrorists' influence on them. By keeping the crossings open, Peretz added, he is easing pressure on the Palestinians. Peretz underlined that he is willing to take the maximum possible risks allowable -- in light of security concerns -- to ease the living conditions of the Palestinians. Saying that he was speaking confidentially, Peretz said that he had recently kept

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crossings around the Jerusalem envelop open despite security threats of a suicide bomber. He noted that he must strike a daily balance.

Regional Threats

18. (C) Turning to regional issues, Peretz noted that although the northern border is now "quiet," he remains on guard about Hizballah threats and continues to keep his "hand on the pulse" of the situation. He asserted that Iran is inspiring the events on that border. Regarding Sheba Farms, Peretz said that he is aware of the situation, but is now in a wait-and-see mode. On Iran, Peretz said that the USG and GOI positions are similar -- to prevent Iran from manufacturing uranium in its early stages. A/S Welch highlighted the valuable intelligence exchanges between the U.S. and Israel on these regional issues. He commented that he does not see a difference in the GOI and USG views on Hizballah.

19. (C) A/S Welch cleared this cable.

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JONES